



BANK OF KATHMANDU LTD.

Disclosures under Basel III –Ashwin 2075

Capital Structure & Capital Adequacy as per Basel III

1. Tier 1 Capital and Breakdown of its Components :

Figures in NPR

SN	Particulars	Group	BOK
A	Core Capital (Tier 1)	12,175,615,990	12,036,648,743
1	Paid Up Capital	7,072,895,908	7,072,895,908
2	Irredeemable Non-cumulative preference shares	-	-
3	Share Premium	929,926,067	929,926,067
4	Proposed Bonus Shares	-	-
5	General Reserve Fund	2,261,741,697	2,261,741,697
6	Retained Earnings	1,035,920,117	1,035,920,117
7	Un-audited current year cumulative profit	277,282,639	275,638,027
8	Capital Redemption Reserve	-	-
9	Capital Adjustment Reserve	-	-
10	Dividend Equalization Reserves	-	-
11	Bond Redemption Reserve	633,333,334	633,333,334
12	Deferred Tax Reserve	-	-
13	Other Free Reserve	164,075	164,075
14	Deductions	(35,647,847)	(172,970,482)
	Less: Goodwill	(2,193,273)	-
	Less: Intangible Assets	(20,854,574)	(20,370,482)
	Less: Deferred Tax Asset	-	-
	Less: Investment in equity of institutions in excess of limits	(12,600,000)	(12,600,000)
	Less: Investment in equity of institutions with financial interests	-	(140,000,000)

2. Tier 2 Capital and Breakdown of its Components

Figures in NPR

SN	Particulars	Group	BOK
B	Supplementary Capital (Tier 2)	1,266,242,223	1,266,242,223
1	Cumulative and/or Redeemable Preference Share		
2	Unsecured Subordinated Term Debt	390,000,000	390,000,000
4	Hybrid Capital Instruments		
5	General Loan Loss Provision	765,775,786	765,775,786
6	Exchange Fluctuation Reserve	67,049,223	67,049,223
7	Investment Adjustment Reserve	32,455,330	32,455,330
8	Assets Revaluation Reserve		
9	Other Reserves	10,961,884	10,961,884
10	Reserve for Capital Expenditure		

Note: Above figures are based on preliminary figures of FY 2074-75 which may change if directed by statutory auditor / supervisory authorities



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3. Detail information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:

Bond floated as : Bank of Kathmandu Bond 2076 (BOK Bond)
 Outstanding amount : NPR 400,000,000
 Amount raised during the year : Nil
 Maturity Date : May 17, 2020
 Amount to be reckoned as capital : NPR 400,000,000

Bond floated as : Bank of Kathmandu Bond 2079 (BOK Bond)
 Outstanding amount : NPR 600,000,000
 Amount raised during the year : Nil
 Maturity Date : June 27, 2022
 Amount to be reckoned as capital : NPR 600,000,000

A cumulative amortization factor of 20% per annum shall be applied to determine the amount to be recognized under Tier II capital during the last 5 years to maturity. Redemption reserve for BOK Bond 2076 has been created from FY 2070-71 and for BOK Bond 2079 has been created from FY 2072-73.

4. Total deductions from Capital

Figures in NPR

SN	Particulars	Group	BOK
1	Goodwill	2,193,273	-
2	Intangible Assets	20,854,574	20,370,482
3	Deferred Tax Asset	-	-
4	Investment in equity of institutions in excess of limits	12,600,000	12,600,000
5	Investment in equity of institutions with financial interests	-	140,000,000
	Total	35,647,847	172,970,482

5. Total Qualifying Capital

Figures in NPR

SN	Particulars	Group	BOK
1	Core Capital (Tier 1)	12,175,615,990	12,036,648,743
2	Supplementary Capital (Tier 2)	1,266,242,223	1,266,242,223
	TOTAL	13,441,858,214	13,302,890,966



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6. Capital Adequacy Ratio

Figures in NPR

RISK WEIGHTED EXPOSURES		Group	BOK
a	Risk Weighted Exposure for Credit Risk	80,700,627,574	80,863,116,286
b	Risk Weighted Exposure for Operational Risk	4,694,808,718	4,670,715,225
c	Risk Weighted Exposure for Market Risk	1,595,107,723	1,595,107,723
Total (a+b+c)		86,990,544,015	87,128,939,234
<u>Adjustments under Pillar II</u>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,153,280,980	1,153,280,980
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	1,742,578,785	1,742,578,785
Total Risk Weighted Exposures (After Bank's adjustment for Pillar II)		89,886,403,780	90,024,798,999
Total Tier I Capital Fund		12,175,615,990	12,036,648,743
Total Capital Fund		1,266,242,223	1,266,242,223
Common Equity Tier 1 Capital to Total Risk Weighted Exposures		13.55%	13.37%
Total Tier 1 Capital to Total Risk Weighted Exposures		13.55%	13.37%
Total Capital Fund to Total Risk Weighted Exposure		14.95%	14.78%

7. Risk Weighted Exposures under each of 11 categories of Credit Risk

Figures in NPR

SN	Particulars	Group	BOK
1	Claims on government & central bank	-	-
2	Claims on other official entities	351,638,012	351,638,012
3	Claims on banks	1,008,337,416	994,613,844
4	Claims on domestic corporate and securities firms	47,705,009,345	47,705,009,345
5	Claims on regulatory retail portfolio	8,072,649,097	8,072,649,097
6	Claims secured by residential properties	1,942,145,623	1,942,145,623
7	Claims secured by commercial real estate	408,824,270	408,824,270
8	Past due claims	1,795,607,558	1,795,607,558
9	High risk claims	10,970,549,954	11,180,549,954
10	Other assets	2,378,963,888	2,345,176,173
11	Off balance sheet items	6,066,902,409	6,066,902,409
TOTAL		80,700,627,573	80,863,116,286



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8. Risk Weighted Exposure for Operational Risk

Figures in NPR

S.N.	Particulars	FY 2074/75	FY 2073/74	FY 2072/73
		Year 1	Year 1	Year 2
1	Net Interest Income	3,019,169,749	2,566,044,900	1,542,905,983
2	Commission and Discount Income	191,576,850	167,026,335	258,973,743
3	Other Operating Income	312,647,464	301,292,939	105,087,868
4	Exchange Fluctuation Income	241,201,416	230,345,442	178,561,606
5	Addition/Deduction in Interest Suspense during the period	79,674,453	77,878,798	69,042,904
	Gross income (a)	3,844,269,932	3,342,588,414	2,154,572,104
	Alfa (b)	15%	15%	15%
	Fixed Percentage of Gross Income [c=(a×b)]	576,640,490	501,388,262	323,185,816
	Capital Requirement for operational risk (d) (average of c)	467,071,523		
	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
	Equivalent Risk Weight Exposure [f=(d×e)]	4,670,715,225		
	<i>Adjustments under Pillar II</i>			
	If Gross Income for the last three years in negative	NA		
	Total Credit and Investment (net of Specific Provision)	NA		
	Capital Requirement for Operational Risk (5%)			
	Risk Weight (reciprocal of capital requirement of 10%) in times	10		
	Equivalent Risk Weight Exposure (g)	0		
	Equivalent Risk Weight Exposure [h=f+g]	4,670,715,225		



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9. Risk Weighted Exposure for Market Risk

Figures in NPR

S.No.	Currency	Open Position (FCY)	Exchange rate	Open Position (NPR)	Relevant Open Position
1	USD	91,025.12	117.85	10,727,310.39	10,727,310.39
2	EUR	14,786.57	135.51	2,003,728.10	2,003,728.10
3	GBP	4,562.93	153.86	702,052.41	702,052.41
4	CHF	5,260.63	118.33	622,490.35	622,490.35
5	AUD	10,498.78	83.29	874,443.39	874,443.39
6	CAD	22,387.23	90.01	2,015,074.57	2,015,074.57
7	SGD	4,805.05	85.04	408,621.45	408,621.45
8	JPY	6,290,340.61	1.05	6,585,986.62	6,585,986.62
9	CNY	277,428.55	16.70	4,633,056.79	4,633,056.79
10	SAR	103,981.00	31.30	3,254,605.30	3,254,605.30
11	QAR	40,035.00	32.20	1,289,127.00	1,289,127.00
12	THB	813,100.00	3.52	2,862,112.00	2,862,112.00
13	AED	23,455.00	31.45	737,659.75	737,659.75
14	MYR	14,947.00	28.16	420,907.52	420,907.52
15	KRW	789,000.00	0.10	80,399.10	80,399.10
16	SEK	-	12.87	-	-
17	DKK	1,354.65	18.15	24,586.90	24,586.90
18	HKD	15,830.00	14.96	236,816.80	236,816.80
19	KWD	186.00	386.85	71,954.10	71,954.10
20	BHD	411.50	311.22	128,067.03	128,067.03
21	INR	1,970,335,279.40	1.60	3,152,536,447.04	3,152,536,447.04
Total Open Position (a)				3,190,215,446.60	3,190,215,446.60
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(a×b)]					159,510,772.33
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10.00
Equivalent Risk Weight Exposure [e=(c×d)]					1,595,107,723.30



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10. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	24,293,747	3,036,718	21,257,029
2	Substandard Loan	329,098,400	82,274,600	246,823,800
3	Doubtful Loan	239,886,545	120,643,272	119,243,272
4	Bad Loan	1,415,504,515	1,415,504,515	-
	TOTAL	2,008,783,206	1,621,459,106	387,324,101

11. NPA Ratios

Gross NPA to Gross Advances	1.61%
Net NPA to Net Advances	0.55%

12. Movement of Non-Performing Assets

Figures in NPR

SN	Loan Classification	Previous Quarter	This Quarter	Changes	
				Amount	%
1	Restructured/ Rescheduled Loan	24,768,385	24,293,747	(474,638)	-1.92%
2	Substandard Loan	238,461,631	329,098,400	90,636,769	38.01%
3	Doubtful Loan	180,884,437	239,886,545	59,002,108	32.62%
4	Bad Loan	1,355,035,345	1,415,504,515	60,469,170	4.46%
	TOTAL	1,799,149,797	2,008,783,206	209,633,409	

13. Write Off of Loans & Interest Suspense

Nil

14. Movement in Loan Loss Provision & Interest Suspense

Figures in NPR

SN	Loan Classification	Previous Quarter	This Quarter	Changes	
				Amount	%
1	Loan Loss Provision	2,244,454,694	2,387,234,892	142,780,198	6.36%
2	Interest Suspense	425,033,891	536,572,012	111,538,121	26.24%

15. Details of Additional Loan Loss Provisions

Nil

16. Segregation of Investment Portfolio



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Amount in NPR			
SN	Particulars	Group	BOK
1	Trading Assets	35,822,305	25,260,000
2	Investment Securities measured at Amortized Cost (Held to Maturity)	15,332,847,044	15,297,847,044
3	Investment in Equity measured at FVTOCI (Available for sale)*	188,531,050	328,531,050
	Total Investment Portfolio	15,557,200,399	15,651,638,094

*Net of fair value adjustment

17. Types of eligible Credit Risk Mitigants (CRM) used and the benefits availed under CRM

SN	Particulars	Amount in NPR
1	Deposits with Bank	1,204,383,426.80
2	Gold	-
3	Govt. & NRB Securities	124,399,606.18
5	Guarantee of Foreign Banks	331,776,297.47
	TOTAL	1,660,559,330.45

18. Summary of the bank's internal approach to assess the adequacy of its capital to support current & future activities

The Revised Capital Adequacy Framework (under BASEL III) provides distinct approaches for computing capital requirements in relation to credit risk, operational risk and market risk. The Bank also takes into consideration these risk factors during assessment of ICAAP. The Banks' Internal Capital Adequacy Assessment Process (ICAAP) involves assessment of:

- i. Actual Capital Adequacy of the Bank
- ii. Additional capital requirement in relation to the existing risk profile of the Bank
- iii. Additional capital requirement in relation to the business growth of the Bank

The Bank has ICAAP Policy approved by the Board, to ensure the Bank possess adequate capital resources in commensuration with all the material risks posed to it by its operating activities and evaluate its ability to hold capital in excess of the minimum regulatory capital adequacy ratio. To this regard, the Risk Management Committee of the Bank reviews ICAAP on quarterly basis to ascertain the adequacy of current available capital in relation to the regulatory requirement, current risk profile and growth prospect of the Bank.

The Bank prepares annual budget plan and computes capital adequacy ratio in order to assess the adequacy of capital for the required growth. The Bank on monthly basis reviews the performance report and the capital adequacy ratio.



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Furthermore, the Bank also prepares long term capital plan. The capital plan is reviewed to ensure that the financial result attained is in line with the capital plan devised. Based on the actual figures, if the Bank feels that the figures could deviate significantly, the Bank revises its long term plan.

19. Summary of terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

The bank has issued “Bank of Kathmandu Bond, 2076” (BOK Bond) amounting to NPR 400 million as Subordinated Term Debt in Baishak 2070. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : May 17, 2020
- Coupon Interest Rate : 8% p.a.
- Interest Payment Period : Bi-annually (in every six months of Nepali Calendar)
- Interest Payment Timing : Interest is paid on the 1st day of Magh and Shrawan
- BOK bond can be pledged with other banks and financial institutions to avail loan facility.
- BOK bond is listed with Nepal Stock Exchange Ltd.
- BOK Bond holders will have rights of claim only after the depositors in case of liquidation.

The bank has issued “Bank of Kathmandu Bond, 2079” (BOK Bond) amounting to NPR 600 million as Subordinated Term Debt in Ashad 2072. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : June 27, 2022
- Coupon Interest Rate : 8% p.a.
- Interest Payment Period : Bi-annually (in every six months of Nepali Calendar)
- Interest Payment Timing : Interest is paid on the 1st day of Magh and Shrawan
- BOK bond can be pledged with other banks and financial institutions to avail loan facility.
- BOK bond is listed with Nepal Stock Exchange Ltd.
- BOK Bond holders will have rights of claim only after the depositors in case of liquidation.